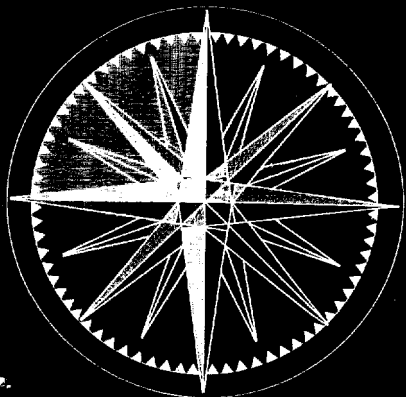


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13 May 1966

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE

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C O N T E N T S

(Information as of noon EDT, 12 May 1966)

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South Vietnam's Buddhists for the moment are steering clear of the potentially explosive issue of Premier Ky's continuation in office, although they are implying that some change in the regime should occur after the September elections. Despite recent indications of Viet Cong attempts to penetrate the "struggle" movement, the Buddhists seem to be retaining control. This week's military activity was highlighted by an allied search-and-destroy operation in northeastern Binh Dinh and continuation of Operation BIRMINGHAM northwest of Saigon. As infiltration from the North continues at a very high rate, North Vietnamese Army strength in the South seems to be approaching 40,000.	
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- SPAIN AND THE UK TO OPEN GIBRALTAR NEGOTIATIONS 17
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FINNISH CABINET NEGOTIATIONS FOCUS ON COMMUNIST PARTICIPATION 18

This is a political hot potato, however, and the issue may not be resolved before Soviet Premier Kosygin's expected visit to Helsinki in June. As a stopgap, the leader of the Social Democrats, who now have a plurality in parliament, may have to form a minority government.

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The French are apparently preparing to remove their troops from Germany while the other 14 NATO members are trying to draw up recommendations for handling the consequences of the French-NATO confrontation.

Africa - Middle East

DISTURBANCES IN CHAD CONTINUE

19

Dissident Muslim tribesmen are still harassing the moderate regime of Chad's Christian President. If economic conditions continue to deteriorate, the government could be seriously challenged.

RISING TENSION IN EASTERN ARABIA

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Egyptian-backed nationalist activities in the Persian Gulf are on the rise

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TRUCE WITH NAGA REBELS ENDANGERED IN EASTERN INDIA

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Recent railroad bombings have brought angry demands in Parliament to crush the Naga insurgency. Harsh repressive measures, however, could touch off prolonged and bitter fighting and tie up a large number of government troops.

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Far East

VIETNAM

Premier Ky's remarks to newsmen last weekend on his continuing in office after a constituent assembly is elected in September caused a flurry of public excitement, but have provoked no significant Buddhist reaction thus far. Ky's statements brought into the open two major points at issue with the Buddhists: the authority of a constitutional assembly--now limited by decree to drafting a constitution--and the nature of the provisional government pending implementation of the constitution. So far, the Buddhists have been content to avoid a showdown on these issues.

to exert a calming influence in I Corps, where small-scale incidents of violence between various political factions are occurring. However, they are also attempting to maintain and, if possible, to increase their influence among local officials. Two prominent Buddhist Institute officials made public speaking tours through I and II Corps in recent days. They also met with military and civilian officials along the way.

In Saigon, the council formed to draft an election law opened with a barrage of criticism over government failure to spell out clearly the responsibility of the council. A subsequent government decree, although avoiding the question of whether the council's draft law would be binding on the Ky regime, apparently satisfied the council. It is scheduled to complete a draft of election regulations by the end of the month, which would allow the government a 100-day period in which to prepare for the voting in September.

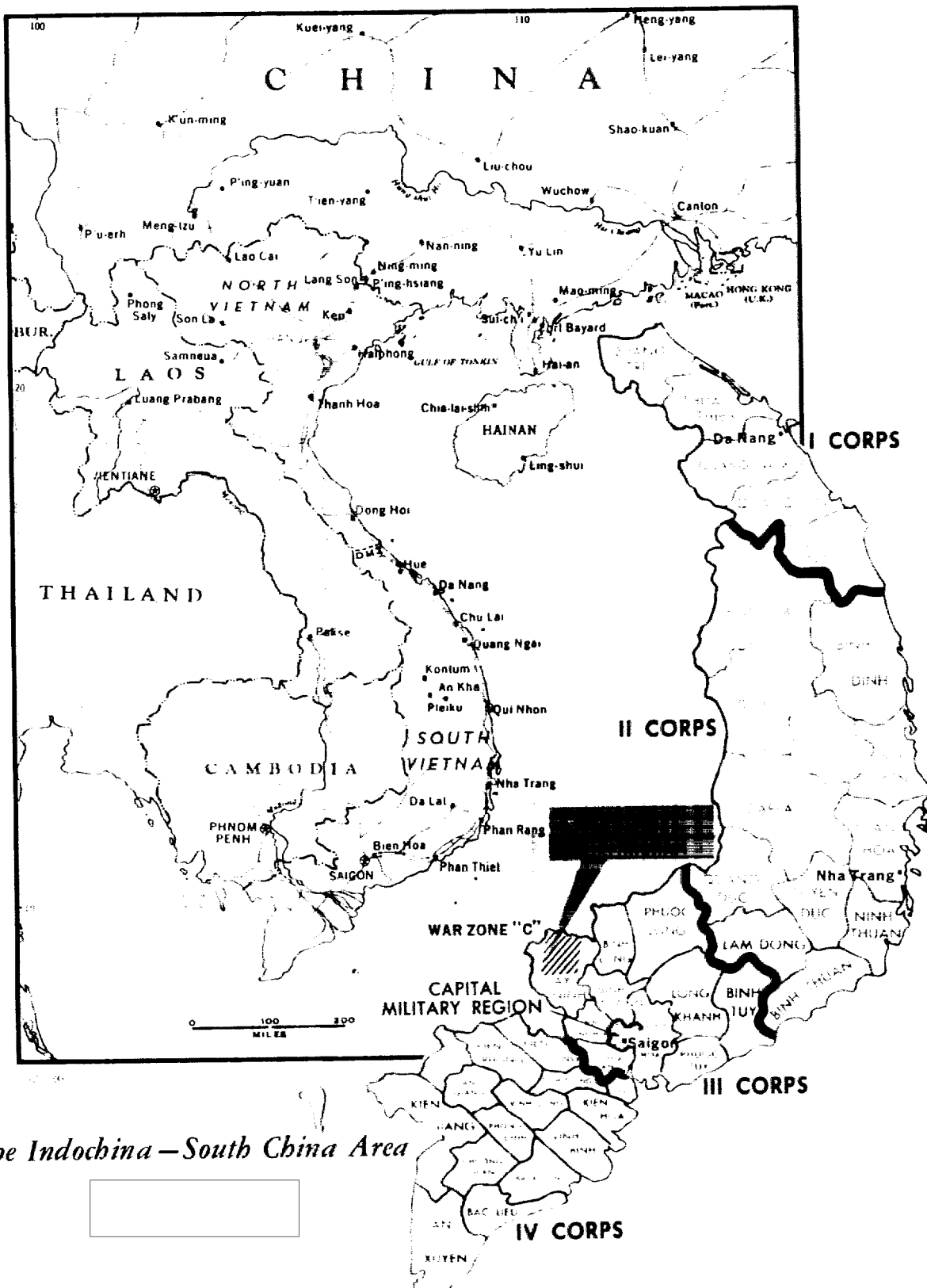
Viet Cong Involvement in
Recent Political Unrest

analysis of Viet
Cong involvement in political

Buddhist leaders are generally continuing their efforts

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The Indochina-South China Area

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unrest since March indicates that the Viet Cong unquestionably have been attempting to penetrate and exploit the "struggle" movement. It is difficult, however, to fix the degree of Communist influence in the movement. [REDACTED]

there are strong indications of high-level Viet Cong penetration of the "struggle" leadership in Da Nang, including the presence of two probable Communists on the movement's executive committee. There is also evidence of Viet Cong penetration of the "struggle" group in Nha Trang, and of Communist involvement in some of the Saigon demonstrations last month. Despite Viet Cong influence, the Buddhists still appear to have control of the struggle movement.

The Military Situation In South Vietnam

Military activity this week was highlighted by an allied search-and-destroy operation in northeastern Binh Dinh Province, a major enemy stronghold which has been the scene of previous large-scale operations. The heaviest fighting occurred during a 12-hour period on 6 May, when US First Cavalry Division and South Vietnamese troops engaged a battalion of the North Vietnamese 22nd Regiment. Scattered clashes thereafter also contributed to enemy losses, which by the end of the week had risen to 349 killed and 59 captured.

Operation BIRMINGHAM, a major sweep operation in the Viet Cong War Zone "C" stronghold northwest of Saigon, also continued this week. Adverse weather, however, forced the cancellation of a planned assault against the top enemy command headquarters in South Vietnam located within the war zone. 25X1

Elsewhere, the intensity of military action decreased markedly. The number of Viet Cong attacks dropped off drastically, and none was large in scale. South Vietnamese casualties during the same period were the lowest since the Tet holiday week of 1964, and some 200 less than those sustained by the US. The US Embassy attributes some of the slack to the unsettled political conditions.

US military officials in Saigon have estimated that the major thrust of Communist military activity during the coming monsoon season will again center in the central highlands area of II Corps, where there is some evidence of a newly infiltrated North Vietnamese division. The Viet Cong may also attempt to exploit the political instability in I Corps, conduct sporadic attacks in III Corps to maintain pressure on Saigon, and consolidate their base areas and transportation routes in IV Corps.

Infiltration Rate Still High

Recent additions by MACV to Viet Cong order of battle,

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as well as continuing reports from prisoners and returnees, indicate that infiltration from North to South Vietnam is continuing at a very high rate. Total confirmed North Vietnamese strength in the South is up to some 26,000, with 5,500 more carried in probable or possible categories. In addition, a number of other units of the North Vietnamese Army (PAVN)--possibly including the major elements of the 304th and 308th Divisions--have been reported by prisoners and in captured documents as present in the South. If these reported units are confirmed, PAVN strength in the South could rise to well over 40,000 troops.

SAM Developments in the DRV

Recent drone photography has disclosed two surface-to-air missile storage facilities within the populated Hanoi area. At least 132 canisters, or shipping containers, for SA-2 missiles were seen at one installation--an army barracks area near the Hanoi rail station--and missile transporters, oxidizers, support vans, and other related equipment were photographed at the other facility. This number of canisters could contain enough missiles to equip eleven of the twenty to twenty-five SAM battalions estimated to be in service in the DRV.

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CAMBODIA'S RELATIONS WITH THE VIET CONG

The increasing intensity of the fighting in South Vietnam is putting a severe strain on Prince Sihanouk's principal short-term policy objective--to keep the Vietnam war from spreading to Cambodia.

To do this, Sihanouk has been playing up Cambodia's international posture as a "neutral" through the years. At the same time, acting on the assumption that the Communists would win in South Vietnam, he has moved toward a political accommodation with Hanoi and the Viet Cong. His continuing problem has been to improve relations with the Communists without provoking retaliation from South Vietnamese and US forces.

Sihanouk has been able to play this difficult game principally because Communist use of Cambodian territory has been relatively limited. Now, however, for a variety of reasons, many of which are related to the expanded US military effort in South Vietnam, the Communists are making greater use of Cambodia. In addition, a recently captured Viet Cong document reveals that the Communists are preparing to establish more extensive rest and recovery areas in Cambodia territory during the coming months. The Vietnamese Communists for the first time are buying substantial amounts

of rice and other foodstuffs in Cambodia. Much of this is being moved from northern Cambodia into Laos via a new road--the so-called "Sihanouk road"--built by the Communists apparently for that purpose.

Sihanouk is aware of the Communists' increasing demands on Cambodia, but probably not of the magnitude or details of their use of Cambodian territory. He has referred to this issue in several speeches over the past several months, usually in the context of the problems it poses for Cambodia. His ability to do anything about it, without a major realignment of Cambodia's foreign policy, is severely limited, however.

It seems clear that at least for the immediate future, Sihanouk will continue to maneuver for diplomatic leverage to avert what he regards as a real threat of US and South Vietnamese retaliation. He has therefore made a concerted effort to win sympathy in the free world by improving relations with Australia and Great Britain. He has also demonstrated a continuing interest in expanding the capability of the International Control Commission (ICC) to investigate charges of Vietnamese Communist presence in Cambodia in an effort to reassert Cambodia's good faith and neutrality.

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At the same time, Sihanouk is again trying to get Hanoi and the Viet Cong to state their respect for Cambodia's neutrality and to recognize Cambodia's version of its borders with South Vietnam. He views such assurances as a hedge against a future Communist take-over in South Vietnam and possibly as establishing a framework for dealing

more effectively with Vietnamese Communist activities in Cambodia. In a 24 April speech, Sihanouk stated that "summit" talks with the Vietnamese Communists would be held soon, but his imminent departure for a two-month, European vacation indicates such talks will not take place before mid-July. [REDACTED]

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THE REAPPEARANCE OF MAO TSE-TUNG

Circumstances surrounding the resurfacing of Chinese Communist party chairman Mao Tse-tung do not dispel all the questions concerning his health. They also leave unanswered questions as to how much leadership he has exercised since he dropped completely out of sight six months ago, probably because of a serious illness.

So far he has been produced only for the visiting Albanians, who can be trusted not to reveal anything about the meeting. No announcement has been made on when or where it took place, or any other details. Peking clearly felt it essential that Mao show up for the Albanians, but will have to do more to counter foreign speculation that Mao is no longer a significant factor in the situation.

Mao's reappearance occurred shortly after a party journal asserted that the party is engaged in a "life and death struggle" with antiparty elements working "in tune" with revisionists and "in coordination" with right opportunist elements within the party. This statement was followed by a highly unusual attack by one party paper against another. On 8 May, the Liberation Army Daily, official organ of the army's political department, charged that Peking Daily, official organ of the city party committee, had tried to cover up for a guilty group of anti-party people. Peking Daily pub-

lished an abject confession of error the next day.

The current attacks grew out of Peking's long-standing war on intellectuals. The only "anti-party elements" named so far have been writers and minor party officials, but the intensity of the attacks suggests that more important political figures may ultimately be implicated. Whether or not this occurs, it appears that groups in the party have been chafing against current policy lines.

The party appears to be having particular difficulty with military and scientific personnel. Last winter party journals



New China News Agency photo released 10 May shows Mao Tse-tung bidding farewell to Albanian Premier Mehmet Shehu. The twenty men in the Albanian delegation are the first reported visitors to see Mao in more than five months.

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inveighed against professional military men who question Mao's doctrine of the importance of "men over weapons" and the need for party domination. In April 1966 Peking began publicly airing charges which could only apply to Peng Te-huai, who was quietly dismissed as defense minister in 1959. Peng was not mentioned by name but the allusions to him were unmistakable. It has long been known from captured military documents that Peng, symbol of professional military men who question the extent of party control, was dismissed on charges of "right opportunist, antiparty" activities. The belated airing of these charges, and other references to the 1959 meeting which dealt with Peng, suggest a new drive against military men who share Peng's ideas.

Also in April the regime renewed demands for greater political commitment from scientists and technicians.

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The sharpening of ideological attacks simultaneously against intellectuals, party cadres, military men, and technicians strongly suggests that an intraparty struggle may be developing. It is still far from clear who is implicated, or what role Mao himself may be playing in the struggle.

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INDONESIA SEEKING RETURN TO NONALIGNMENT

Indonesia continues its efforts to recast foreign policy. Its basic rationale in doing so is largely economic--the need to reschedule payments on its large foreign debt and to acquire new assistance from any source. In the process, however, it is taking steps to normalize relations with the West and Western-oriented countries so it can resume a genuine nonalignment.

In a wide-ranging policy speech to parliament on 5 May,

Foreign Minister Adam Malik tried to accommodate his new approaches to Sukarno's residual influence and to other elements of domestic political opinion. Malik stated that Indonesia would pursue friendly relations, especially in the economic field, with Western Europe and the United States; that it sought to "enlighten" Eastern Europeans on the nature of political events in Indonesia; that it hoped for "changes in the UN" so that Indonesia might consider participation.

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[redacted] Indonesia hopes to be back in the UN for the next General Assembly in September.

Malik said he will go ahead with recognition of Singapore, first resuming trade and then establishing diplomatic relations. He said confrontation with Malaysia is based on opposition to British bases and the desire to see true self-determination for Sabah and Sarawak--the two Malaysian states located in Borneo and bordering Indonesia. He blamed Communist China for the deteriorated state of Chinese-Indonesian relations and asserted that Peking had chosen deliberately to misunderstand the situation in Indonesia. He supported the Vietnamese people's struggle to oppose US military intervention in Vietnam.

A long-delayed economic mission departed on 10 May for Japan and Western Europe. Another, possibly led by Malik, is tentatively scheduled to go to the So-

viet Union and other Eastern European countries late this month or early in June. Both missions will seek to reschedule debt payments, refinance short-term and commercial obligations, and obtain new credits.

The Soviet Union, Indonesia's largest creditor, awaits the repayment of some \$1 billion of Indonesia's total debt of almost \$2.5 billion. Consistent with its policy elsewhere, Moscow is unlikely to meet Indonesia's hopes for a five- to eight-year deferment on military obligations, which comprise the major part of the debt, but will probably agree to another rescheduling of payments.

Moscow's attitude toward the present government has appeared one of restraint, guarded optimism, and gratification over the significant setback accorded Communist China. [redacted]

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Europe

RUMANIA SEEKS TO MAINTAIN MANEUVERABILITY IN FOREIGN AFFAIRS

Rumania's recent flurry of high-level bilateral diplomatic contacts strongly suggests that it is seeking to maintain its freedom of maneuver with respect to both the Communist and non-Communist worlds. The regime apparently fears that its ability to pursue its self-serving nationalist policy is in some jeopardy.

Rumania's uncommitted position between Peking and Moscow is dramatized by the presence this week in Bucharest of Leonid Brezhnev and the expected arrival of Chou En-lai early next week. Chou, who will also visit Albania, is expected to do what he can to keep the Rumanians firm in their independent course in Eastern Europe and to bend them toward Peking's position in the Sino-Soviet dispute.

His trip probably accounts for Brezhnev's unannounced arrival in Bucharest on 10 May for a three-day private visit. The Soviet party leader, who is accompanied by a specialist on relations with ruling Asian Communist parties, will probably remind the Rumanians that their room for maneuver between Moscow and Peking is narrowing--in view of Peking's extremism and relative isolation.

Brezhnev also will undoubtedly raise questions about the visit to Hanoi and Peking by a

high-level Rumanian party-state delegation. The Hanoi trip appears to be another effort by the Rumanians to play a larger role in international affairs.

the length of the visit, from 5 to 11 May, and the subsequent stop-over in Peking appear at least in part designed to give the impression that Rumania is engaged in substantive discussions concerning the war in Vietnam.

If the Rumanians are once again seeking to ameliorate the Sino-Soviet conflict as they did in March 1964, it seems unlikely that much will be achieved. An exceptionally harsh attack on Moscow by Chinese Communist Party General Secretary Teng Hsiao-ping on 6 May makes it clear that the Chinese are still rock-hard in their quarrel with the Soviets. Teng declared that the Chinese would under no circumstances take united action with the "leading revisionist group"--which he called "far flabbier" and weaker than Khrushchev.

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During the recent visit of French Foreign Minister Couve de Murville to Bucharest, the Rumanians frequently reiterated their desire for expanded relations with both East and West. In terms of Rumania's relations with the Soviet bloc, Couve's visit assumes some importance because of Bucharest's apparent interest in French policies toward NATO. The Rumanians reportedly are interested in finding some way to reduce their ties with the Warsaw Pact. Although no precipitate action toward the Pact by the Rumanians is expected at the upcoming July meeting of the Pact's Political Consultative Committee in Bucharest, the regime has evidenced dissatisfaction for several years with the Pact's impingement on Rumania's sovereignty.

This is reflected in the highly nationalistic speech on 7 May, opening the week-long celebrations of the 45th anniversary of the Rumanian Communist Party, by party chief Ceausescu in which he again called for dissolution of all military blocs, characterizing them as anachronistic. Ceausescu also renewed criticisms of the Soviet party for interference in Rumanian party affairs, in this case through such organizations as the Comintern and the Cominform. He posed a new rationale for Rumania's brand of Communism when he stated that national and international Communism do not exist, because every 25X1 nation building socialism is fulfilling a national and international task.

SOVIETS REJECT US PROPOSAL FOR EXCHANGE OF MILITARY OBSERVERS

The USSR has turned down a US suggestion for bilateral exchanges of observers at military exercises. The US military attaché in Moscow was informed on 27 April that Marshal Grechko, who had informally broached such an exchange last fall, "does not consider it desirable or possible" to discuss the question at this time because of the "worsening situation in Vietnam."

The Soviets, however, tempered their rejection by pointing out that they "do not plan" any big exercise at this time, and that if they hold an exercise later this year, they may invite a US observer, providing the "political situation" warrants.

Moscow's action is apparently intended to demonstrate that the Vietnam question will continue to have an adverse affect on US efforts

to reach formal agreement with the Soviet Union on questions of somewhat secondary importance. Despite this unwillingness to conclude such agreements, which could be exploited by the Chinese as evidence of US-Soviet "collusion," Moscow is anxious to maintain movement in those relatively unpublicized areas which traditionally carry an aura of cooperation and harmony with the US.

For example, Soviet representatives recently renewed the cultural exchange agreement with the US in record time. In addition, prior to his return to duty to Washington, Ambassador Dobrynin stressed to Ambassador Kohler the need for formal conclusion of consular and civil air agreements with the US.

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SOVIETS FACING MILITARY DISCIPLINE PROBLEM

Improvement of discipline within the Soviet armed forces apparently has become a matter of considerable concern to the high command in recent months.

● SOVIET MILITARY LEADERS ON DISCIPLINE

(Combat readiness is directly dependent upon the state of military discipline. Discipline has always played a deciding role in the life of troops in winning victory over the enemy. — Communist of the Armed Forces, August 1965)

● Defense Minister Malinovsky:

In a future war...victory will go to the side which has the higher moral steadfastness, discipline, and organization.... The appearance of new weapons...raises even higher the role of man as the most important factor determining the course and outcome of a war...and this is being realized sometimes quite slowly and not thoroughly enough. — Soviet Patriot, 19 September 1965

How distressing it is when mold has penetrated into the healthy officers' circle; when we watch cases of drunkenness, amoral behavior of individuals in daily life.... Unfortunately, up to now showiness, sensation-mongering, and ballyhoo have not disappeared from the troops and fleets.... Red tape and bureaucratic methods of leadership are causing great harm. — Red Star, 24 September 1965

● Assistant Defense Minister Marshal Rotmistrov:

Being respectful to one's superiors and seniors is a requirement for all without exception! I stress this because one still meets people who forget this extremely important element in our disciplinary practice and arbitrarily arrogate to themselves some sort of "special" rights which allegedly spring from positions they hold. — Red Star, 25 November 1965

● 1st Deputy Defense Minister Marshal Grechko:

I am of the opinion that commanders possess enough authority to discharge fully their command duties and that there is no need for an expansion of their disciplinary rights. It is only necessary to use them skillfully and wisely...but the situation in this field is still far from satisfactory with us. — Red Star, 27 April 1966

This is suggested by a series of unusual articles on the subject in the military press by Soviet military leaders calling for "ironlike" discipline. In addition, the Supreme Soviet Presidium has promulgated two decrees during the past year apparently as part of the campaign to improve discipline. One establishes peoples courts in military construction units, and the other authorizes deputy defense ministers to reassign officers to lower positions in addition to reducing their rank. This strengthening of authority suggests that local commanders have frequently been reluctant to resolve disciplinary problems. Marshal A. Grechko recently described this aspect of the situation as "still far from satisfactory with us."

The official slogans for the most recent October Revolution and May Day celebrations called for the "strengthening of military discipline"—an injunction without precedent in the military slogans of the last decade. Other press evidence suggests that this plea was intended for consumption by virtually all types of military units, components, and schools. The commandant of the Frunze Military Academy told the US Army attaché in Moscow in January that in spite of the improved selection of students for the prestigious officer's school, disciplinary reasons accounted for the bulk of the 25-percent "washout" rate per class.

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The reasons for the apparent low state of discipline are not entirely clear. They may, however, include the prevalent belief generated by Khrushchev that mass destruction weapons have reduced the role of officers and men--whose morale consequently has also been reduced.

Poor discipline may also be a natural consequence of the fact that the armed forces increasingly are composed of personnel who have never had combat experience and who derive little motivation from cold war propaganda.

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SOVIET DEAL WITH FIAT

The Soviet Union has concluded a \$320-million deal with the Fiat Company of Italy for an automobile plant which eventually will produce 2,000 cars per day. This is a further demonstration of a major shift in Soviet economic policy favoring the consumer, although the USSR plans to export part of its increased auto production.

The arrangement with Fiat also provides for assistance in modernizing the entire Soviet automotive industry. In addition, Fiat will give advice on how to organize service and spare parts depots which will be required as the number of automobiles in the USSR grows.

The Fiat agreement is designed to aid the USSR in raising auto production from about 200,000 per year toward the 1970 goal of 700,000 to 800,000 cars. Part of the work will be subcontracted to other firms, including American companies. The USSR, in addition to its deal with Fiat, already has approached a US company for a rolling mill large enough to meet steel requirements that will expand to meet the needs of increased auto production. A French firm recently agreed to deliver stamping equipment sufficient to triple the capacity of one Soviet automobile plant. Talks have been held with both British and French automobile producers, and a team from Renault will visit Moscow later this month.

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BULGARIAN ECONOMIC REFORM

After nationwide discussion of party theses published last December, a long-delayed plenum of the Bulgarian Communist Party central committee has endorsed the basic principles of a new system of economic planning and management. The new program is very similar to other East European reforms, especially that of Czechoslovakia.

The system is designed to free enterprises from detailed central planning and control and to encourage them to try to make profits. Premier Zhivkov, in his closing plenum speech, justified the reform as necessary to achieve better coordination between the interests of society and those of enterprises and workers, the fuller application of the principle of financial independence of enterprises, and an increase in material incentives for workers.

The new system, he claimed, will give enterprises operational independence, and give individual workers a role in management. Projected workers' production committees will allegedly have an important role in determining production, quality, profitability, income distribution, working conditions, and selection of managers. The committees' functions are vaguely defined, but they will clearly not wield as much

power as the Yugoslav workers' councils.

Above the individual enterprise level in the economic management structure will be economic "trusts," or amalgamations of enterprises within an industry --a step intended to provide uniformity in running the economy and directing scientific and technical research. Zhivkov promised that the economic trusts will base their decisions more and more on economic criteria and not on purely administrative considerations as has been the case heretofore.

The top echelon of economic control will continue to be the state organs and ministries, which Zhivkov asserted are essential to "planned, proportional development of socialist economy." The planning process is to be strengthened (although simplified) in order to assure that producers' requirements become more of a determinant in government decision making. This participation of producers is a major element of the new system.

As to the over-all goals of increasing workers' incentives, Zhivkov said that the individual's pay is to be based both on his productivity and on

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the total value of his enterprise's production. Salaries and wages are eventually to come entirely from the enterprise's own earnings. A guaranteed minimum wage is part of the nation's labor code, however, and it is likely to remain so until all unprofitable enterprises are either made solvent or phased out.

Bulgaria's new system of pricing--much like Czechoslovakia's program--will have three

categories of prices--fixed, variable within a range, and free. Zhivkov's speech, without specifying when the system would go into operation, promised only that "flexible prices" would not mean an increase in retail prices.

The new system will not be fully operational until at least the beginning of 1967. Zhivkov asserted that it requires substantial change in government functions and operations requiring new and comprehensive legislation.

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POLISH REGIME MOVES TO REDUCE CHURCH-STATE TENSIONS

The Warsaw regime may be temporarily easing its drive against Poland's powerful Roman Catholic hierarchy in an effort to reduce domestic tensions. It is clearly resolved, however, to maintain control over all aspects of the church-state struggle, especially adverse popular reaction.

Manifest popular support for the church, and the hierarchy's continued strong loyalty to its primate, Cardinal Wyszynski in the face of regime attempts to discredit him probably account

in part for the regime's seeming spirit of accommodation. Moreover, there is recent evidence of party concern that its antichurch drive may be backfiring in terms of popular response.

The rival church-state millennium celebrations have thus far been marred only by one small antiregime demonstration in Krakow. The state, nevertheless, clearly has come off second best in terms of popular acclaim. At the main religious observances at Czestochowa on

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3 May, moreover, the episcopate renewed its public support for Wyszynski.

Party boss Gomulka, who earlier had charged the church with attempting to undermine Poland's alliance with the USSR, apparently backed out of a scheduled state millennium appearance on 3 May. Other regime leaders at state rallies either ignored the church-state struggle or, for the first time since the confrontation began last December, cautiously called for mutual accommodation for the sake of national unity. This theme was also touched upon in a rare press interview by the head of the regime's Religious Affairs Office. He stressed

the necessity for coexistence and unity between Polish Catholics and party members, adding that while the regime hopes the country will be free of religion in time, "it is important not to go too quickly."

Regime leaders continue, nevertheless, to make clear that they seek no compromise on the basic foreign policy issues involved in the church-state confrontation. Speaking in Wroclaw on 8 May, Foreign Minister Racki again deplored the Polish episcopate's presumption when it addressed a conciliatory letter to the German Roman Catholic hierarchy last November "over the head of the state."

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SPAIN AND THE UK TO OPEN GIBRALTAR NEGOTIATIONS

Spanish officials have indicated that the bilateral talks on the long-standing problem of Gibraltar opening in London on 18 May could affect a variety of other arrangements, including Spain's contribution to European defense. Foreign Minister Castiella himself will head the Spanish delegation.

Spain has conducted a sporadic campaign since World War II to induce the United Kingdom to discuss the sovereignty of Gibraltar. This pressure was stepped up in October 1964 by the imposition of border controls, followed by other moves, including an appeal to the United Nations Special Committee on Colonialism, and notes to NATO countries forbidding overflights of Spain by military planes going to Gibraltar. The UK long refused to hold talks while the Spanish border restrictions continued, and indicated that in no case would it discuss sovereignty. In April, however, London agreed to hold unconditional talks in conformity with the UN General Assembly resolution of last December which recommended bilateral discussions.

In an attempt to increase pressure on London, the Spanish Embassy in Washington officially informed the United States last week that unless a satisfactory solution to the Gibraltar issue is reached, Spain will review its commitments to cooperate in de-

fensive arrangements with countries with which Spain does not have bilateral defense agreements--such as the UK, Benelux, Germany, and Italy. The Spanish spokesman pointed out the necessity of Spanish overflight permission to the usefulness of the military base at Gibraltar and the German base being built in Portugal. He also indicated that when the renewal of the US defense agreement comes up in 1968, Spain would take into consideration the role played by Washington in aiding integration of Spain into Europe, including both the defense of Europe and Spanish entry into the Common Market.

British planners probably have little hope that Spain will settle for anything less on Gibraltar than a transfer of sovereignty, which the Labor government almost certainly will not grant Franco. They felt, however, it was necessary to agree to talks in order to avoid giving the appearance of defying the UN resolution. They may also hope that as long as negotiations can be prolonged, Spain will be reluctant to impose further restrictive measures against Gibraltar. It is uncertain how flexible Spain is willing to be, but it appears willing to carry out its threats against third countries if some accommodation is not reached.

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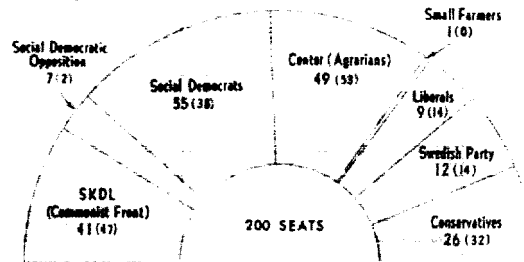
FINNISH CABINET NEGOTIATIONS FOCUS ON COMMUNIST PARTICIPATION

Finland's non-Communist parties have been unable to reach agreement since the March elections on the makeup of a new government. The chairman of the Social Democratic Party (SDP), Rafael Paasio, who is in charge of the talks by virtue of his party's newly won legislative plurality (see chart), has canvassed a number of possibilities, all without success. The negotiators are now grappling with the question of Communist participation.

The Communists, excluded from the government since 1948, initially urged formation of a "socialist" government which would include the SDP and the Communist-front SKDL, but since it was immediately apparent that the SDP would not accept such a solution they have instead lobbied for a coalition including President Kekkonen's Center Party as well. Moscow favors this because of the "respectability" the Center would lend to an otherwise leftist-oriented government. Finnish political leaders maintain also that this would be a politically wise step

FINNISH PARLIAMENT

Following March 1966 elections



(Previous number of seats shown in parentheses)

since it would associate the Communists with the unpopular austerity and retrenchment measures which the new government will be compelled to take.

Neither the SDP nor the Center wants to be the first to indicate willingness to accept the Communists as coalition partners, so it may require forceful intervention by Kekkonen or more direct pressure by Moscow to bring the two parties to a decision. Soviet Premier Kosygin's scheduled visit to Helsinki in mid-June gives the problem a certain urgency. In the end, Paasio may be compelled to form a minority Social Democratic government fortified with nonpolitical civil servants in several key posts.

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NATO DEVELOPMENTS

France's reply to the German note on the stationing of French troops in Germany will be a brief and cold rejection of the proposed German terms.

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The US Embassy in Paris comments that the proposed French note does not appear to be a tactical maneuver for negotiating purposes but looks more like an attempt by the French to make the Germans take the responsibility for the departure of French troops. There have been several recent signs that the French are planning to remove their forces from Germany.

The North Atlantic Council representatives of France's 14 NATO partners are studying the problems involved in the French-NATO confrontation and are attempting to have recommendations ready for submission to next month's ministerial-level meeting of the North Atlantic Council in Brussels. The French have agreed to permit the ministers of the Fourteen to meet first on 6 June, with the regular meeting including the

French to begin the following day. Reports should be ready for the Fourteen on the military implications of the crisis, the proposed reorganization of NATO, and the relocation of NATO units which must move from France.

Some dissension among the Fourteen has arisen over the relocation of the North Atlantic Council, which De Gaulle has said may remain in Paris. The Italians, Canadians, and Danes who have been generally advocating a softer position toward De Gaulle, are urging strongly that it be left in Paris. They probably will be supported in this by the Greeks and Portuguese. Most of the other members favor its removal, but are split over whether it should be co-located on the continent with the Supreme Headquarters of the Allied Powers in Europe (SHAPE) or moved separately to London.

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Africa - Middle East

DISTURBANCES IN CHAD CONTINUE

Dissident Muslim tribesmen continue to harass the moderate regime of Chad's Christian President, Francois Tombalbaye. Government security forces--bolstered by French officers and equipment--have been able to contain the dissidence so far, but the struggle places a strain on impoverished Chad's resources. Should economic conditions in the disturbed areas deteriorate further, the government could be seriously challenged.

Since last October, tribesmen in the predominantly Muslim northeast have been openly defying the government's authority to

impose taxes and appoint local administrators. Many of these tribesmen regard the largely Christian, Negroid-dominated government as alien and look more to the neighboring Muslim Sudan for guidance. They have been receptive to propaganda spread by exiled Chadian Muslim elements in the Sudan who seek to gain support within Chad--presumably with the goal of setting up an independent "Islamic Republic."

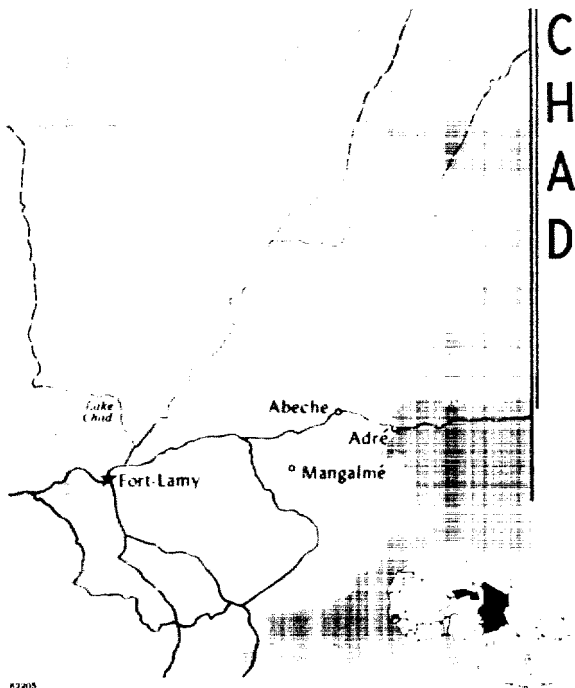
Since March the Sudan-based rebel bands have shown signs of

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improved organization, and some have been equipped with light arms from undisclosed sources. The rebels are apparently recruited from among Chadian seasonal workers in the Sudan and enter Chad in groups

Their leaders have not been identified, but it is likely that at least some have been trained in either the UAR or in the Sudan itself. Recently signed agreements between Chad and the Sudan have not led to the hoped-for reduction in rebel activity.



In response to the Muslim threat from the northeast, President Tombalbaye has tightened his hold on the government and is successfully fostering the idea that he is the only "national" figure who can unify the country. On 20 April he reshuffled his cabinet, establishing a more equitable balance between Muslims and non-Muslim members.

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Tombalbaye continues to rely heavily on France to control the dissidence. French officers have been placed in effective command of both the army and gendarmerie and recently took part in army maneuvers in the area near Abeche.

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Expected food shortages this summer--especially in the troubled areas--may aggravate difficulties for the government. Millet, the staple item in the Chadian diet, is already in short supply, and it is expected that the US will be asked for emergency food relief.

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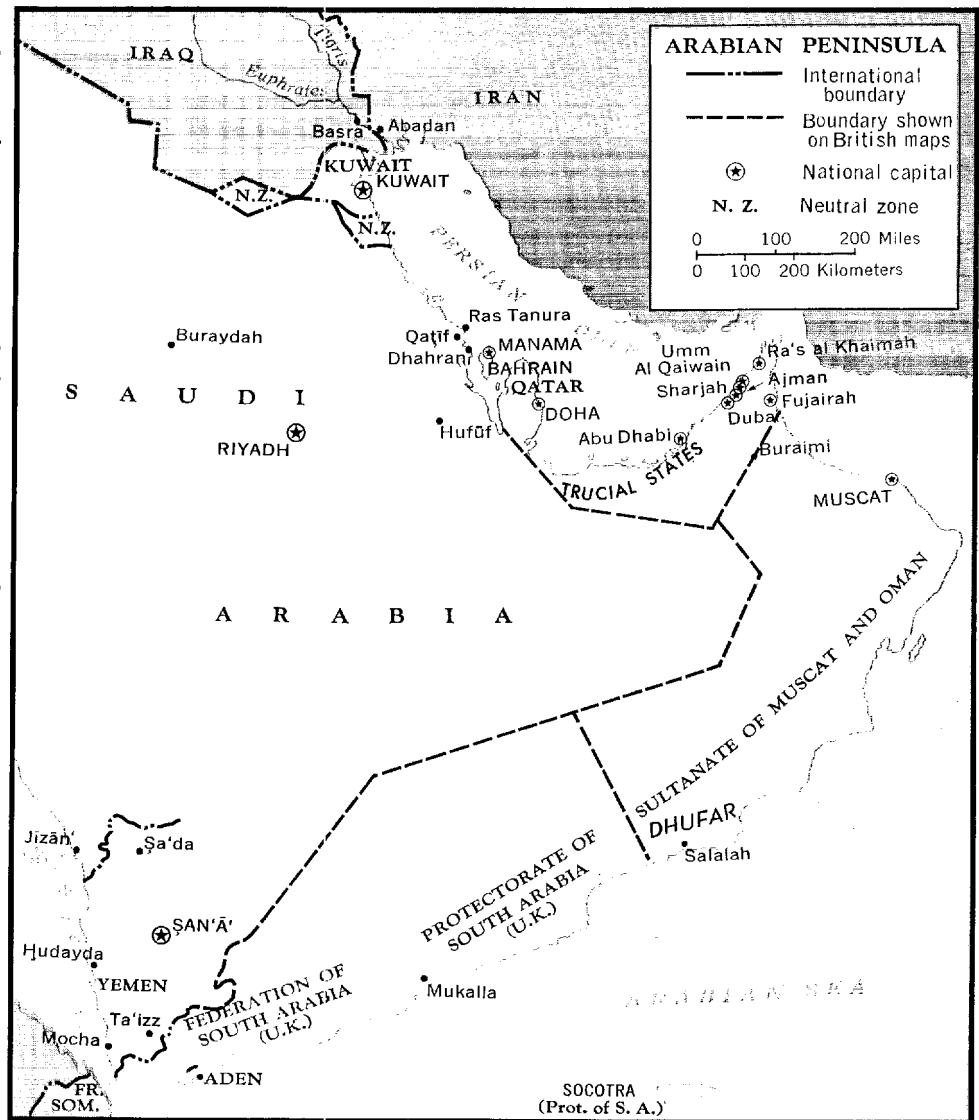
SECRET**RIISING TENSION IN EASTERN ARABIA**

Egyptian-backed nationalist activities in the Persian Gulf are on the rise, and a dispute between the British and a local sheik threatens to aggravate tensions in the area.

A recent assassination attempt on the Sultan of Muscat and Oman may have been Egyptian inspired. Radio Cairo and Radio Baghdad described the attack in considerable detail several days before it actually happened, and such "news stories" of rebel incidents have been broadcast in advance in the past. The broadcasts may serve as a means of transmitting instructions to rebel groups in Dhufar Province, the Sultan's temporary residence.

Last month the British-officered Trucial Oman Scouts were called in to deal with a local leader attempting to establish his independence from the sheikdom of Sharjah. The fact that the rebel's followers were equipped with modern weapons raises the possibility of a tie-up with liberation movements known to exist in the British-protected Trucial States, which includes Sharjah. These dissident elements are still too weak to threaten the British position, but they ap-

pear to be linked with the Egyptian-oriented Arab Nationalist Movement participating in the current anti-British terrorist campaigns in Aden and Bahrain. Disturbances in the Persian Gulf area can be expected to intensify as the British transfer their joint headquarters from Aden to Bahrain and expand their military facilities in Sharjah.



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TRUCE WITH NAGA REBELS ENDANGERED IN EASTERN INDIA

The tenuous cease-fire observed since late 1964 by security forces and rebelling Naga tribesmen in eastern India appears to be in danger of breaking down. A recent series of railroad bombings--widely attributed to the Nagas--claimed more than 100 lives last month and brought angry demands in the Indian Parliament for firm steps to crush the insurgency.

The government still favors a negotiated settlement. However, in talks with Prime Minister Gandhi in February and April the rebels still refused to consider anything less than complete independence for Nagaland. A third round of talks tentatively scheduled for May or June will probably be equally fruitless. Each unproductive meeting has been followed by increased

pressure both within the ruling Congress Party and among the non-Communist opposition for more forceful government measures.

Prospects for a peaceful solution are further clouded by indications that the rebels are themselves divided over tactics. The timing of the railroad explosions to coincide with or immediately follow negotiations in New Delhi suggests that the more militant Nagas are trying to frustrate the peace efforts of their ostensible leaders.

Even the problem of maintaining informal lines of communication between New Delhi and the rebels may prove more complex in the aftermath of the railway blasts. The private three-member peace mission that

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arranged the 1964 cease-fire dissolved on 3 May when its last remaining member, Assam State Chief Minister Chalia, announced his resignation. Observer groups set up to supervise the truce could also collapse as strains between the government and the rebels intensify.

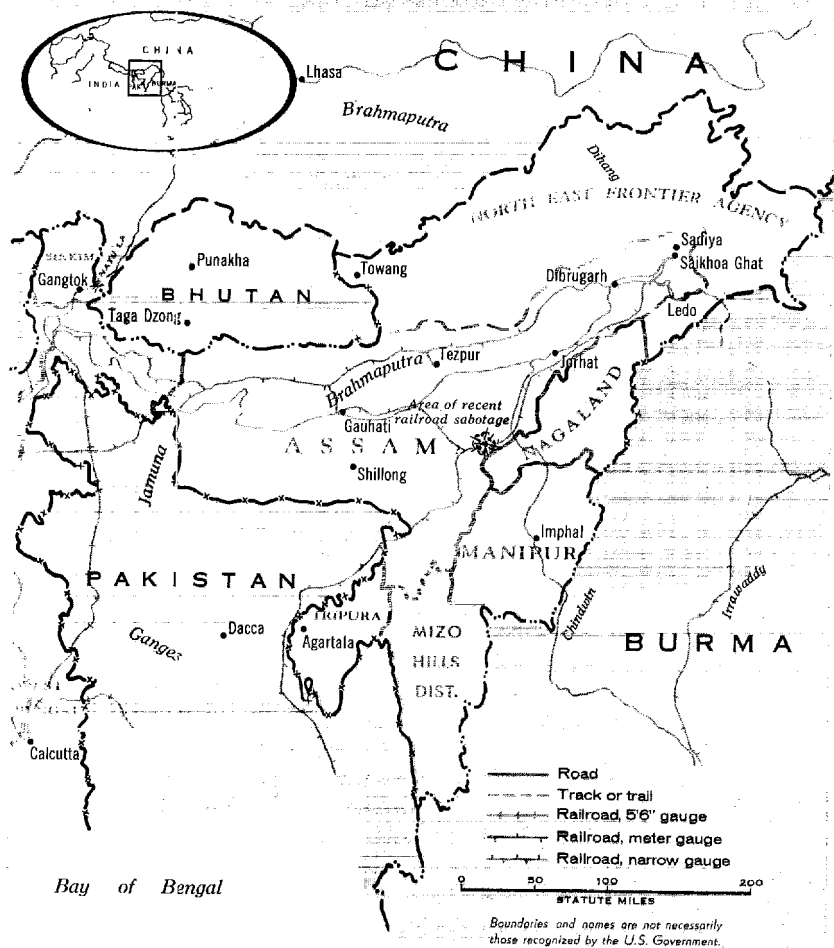
Full-scale resumption of the 11-year-old revolt would probably result in prolonged and bitter fighting. Naga strength has been estimated at 4,000 to 7,000 guerrillas. They are reasonably well organized

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An Indian Army campaign to put down the rebellion decisively could require a significantly larger force than the 40,000 troops committed in the past. Furthermore, the harshly repressive measures advocated by some Indian leaders could alienate the overwhelming majority of the area's 600,00 Nagas, most of whom have heretofore remained aloof from the struggle.

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Additional burdens may be placed on security forces in the area by increasing tribal disorders in the Mizo Hills District, 150 miles southwest of Nagaland.

EASTERN INDIA

If both campaigns intensify simultaneously, New Delhi could be forced to divert to the rebel areas a substantial number of troops normally held in reserve in northern Assam as a backstop to Indian divisions stationed near the Tibetan border.

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Western Hemisphere

VENEZUELAN GOVERNMENT LOSES LEGISLATIVE MAJORITY

A split in Venezuela's Democratic Republican Union (URD) has deprived the coalition government of its majority in Congress and will complicate the legislative process. The US Embassy believes, however, that even with the decrease in the votes the URD can contribute in support of its coalition partner, the Democratic Action (AD) party, the administration will be able to push through the legislation it considers important, at least in the immediate future. Maneuvering for the 1968 elections--which the split in the URD reflects--underlies most political activity already and will grow more intense as the date for elections approaches.

With a public announcement of their action on 3 May, Alirio Ugarte Pelayo, seven other URD deputies, and three senators resigned from the URD after Ugarte was suspended from the party and charges brought against him before a disciplinary tri-

bunal. Ugarte, who was number two man in the URD and is a possible candidate for the presidency of Venezuela in 1968, has built up a strong following in the party and has been working toward gaining complete control. Differences between Ugarte and Jovito Villalba, leader of the URD, have in the past been papered over, but apparently Ugarte has grown so strong that Villalba could no longer either contain or ignore the threat.

Ugarte's future course is not clear. He may start a party of his own, form a coalition with one or more of the opposition parties, or take his bloc into one of the eight other parties. The major parties are committed to maintaining political stability, but how well the commitment will stand the stresses of partisan politics for the next year and a half remains to be seen.

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BRAZIL STRUGGLES WITH NEW TWO-PARTY SYSTEM

The government of President Castello Branco is making slow progress toward its goal of instilling a two-party system in Brazil. Since March there have been only two legally recognized parties--the progovernment National Renewal Alliance (ARENA) and the opposition Brazilian Democratic Movement (MDB). Neither can be considered a cohesive, clearly oriented political entity.

ARENA and the MDB were formed following the abolition of all previous parties by decree in October 1965. The organic law governing new parties contained rigid requirements that precluded creation of more than two or three. Under the law an organization had to have at least 120 representatives in the National Chamber of Deputies (total chamber membership 409) in order to qualify for recognition by the March deadline. According to the most recent count, ARENA holds 254 seats in the chamber and the MDB controls 142. A third party could theoretically come into existence before reorganization of the party system becomes final in 1967 if a sufficient number of congressmen switched allegiance.

Castello Branco's basic motive in restricting the number of parties was to eliminate the confusion that prevailed under the former 13 parties and enable the parties to provide more effective representation. He also considered the drastic change necessary in order to develop a base of support for the administration

in congress. The regime has achieved the formation of a majority bloc in congress under the ARENA label, virtually assuring election of a president acceptable to the government when congress chooses Castello Branco's successor on 3 October.

ARENA has been formed around the former conservative-oriented National Democratic Union and moderates of the former Social Democratic Party. The MDB has a preponderance of former Laborites. In many respects both parties are loose, artificial groupings whose members often tend to divide according to their previous affiliations. The difficulties caused by the widely disparate views and the lack of party discipline in each are especially evident at the state and local levels, where attempts to organize ARENA and the MDB have often caused considerable turmoil. Many local leaders have hesitated to join either party.

The law allows for the creation of factions or "sub-parties" within each party for election purposes; a reflection of the uncertainty whether ARENA and the MDB will remain intact after the presidential and congressional elections scheduled for later this year. Whether or not the parties survive in their present form, Castello Branco has at least focused national attention on the desirability of creating a political system that is more conducive to political stability than the old one.

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BOSCH AND BALAGUER DEVELOP DOMINICAN CAMPAIGN ISSUES

Juan Bosch and Joaquin Balaguer, the two leading contenders in the Dominican Republic's 1 June election, spent last week stating their positions on outstanding campaign issues and developing their economic proposals. The stepped-up tempo of political activity of the previous week continued but charges of fraud and violence have been somewhat toned down.

Balaguer is continuing to stress the central issue of his campaign--that under his regime people will be able to prosper "in the shadow of order." Bosch has tried to undercut this appeal by linking Balaguer to the brutality of the Trujillo era and alleging that his opponent would enter into military conspiracies against a Bosch administration. Bosch, however, has not endorsed Balaguer's pledge to accept the election results and cooperate with the winner's government.

Both candidates have spelled out relatively moderate economic programs. Bosch, talking in simple terms, has called for strong government action to spur investment in basic economic projects, pledged to retain the government's large share in industry and promised to avoid taking private lands for his agrarian reform program. Balaguer has called for increased production through promotion of private enterprise. At times his statements have had demagogic overtones as, for instance, his promise to

legalize squatters' claims to plots of land.

Bosch appears confident of victory and seems to be attempting to resolve problems that will confront his administration. He appears to be seriously considering not requesting the immediate departure of the Inter-American Peace Force in order to use its continued presence to prevent a coup and enable him to make changes and reforms in the military.

Bosch's opponents may have finally reached an agreement to form a coalition behind Balaguer. One of the principal negotiators of a stop-Bosch movement said that minor presidential candidate Rafael Bonnelly has come to terms with Balaguer. Presumably Bonnelly will withdraw in favor of Balaguer.

Firm information on election trends and on the relative strengths of the parties is not available. Although some observers feel the race is close, almost all credit Bosch with an edge in some degree. The US consul in the interior city of Santiago, for example, recently reported that Bosch's Dominican Revolutionary Party is more active and militant and may be making inroads into Balaguer's strength, particularly among the peasants.

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COMMUNISTS RESUME TERRORISM IN GUATEMALA

Guatemala's Communist Party (PGT) has resumed terrorist activity in retaliation for the capture and suspected killing of Communist leaders by government forces in early March.

On 4 May PGT's action arm, the FAR, kidnaped the president of the supreme court and the government secretary of information and mortally wounded the secretary's son and chauffeur. The government declared a 30-day state of siege on 10 May.

PGT Secretary General Bernardo Alvarado Monzon and FAR leader Luis Turcios Lima have contacted various public media and prominent citizens seeking a mediator to obtain the release of political prisoners. The government has persistently denied taking the Communists in question--including central committee member Victor Manuel Gutierrez.

This recriminatory terrorism may have been timed to embarrass the new government which is to be created under the constitution that went into effect on 5 May.

So far, however, the political repercussions of the terrorism have been felt mainly by lame duck Provisional President Enrique Peralta. The supreme court has asked the executive branch to inform police that full constitutional guarantees are now in effect and has demanded that all persons now imprisoned be placed at the disposition of the courts without delay. The national lawyers' association has accused the government of constant violation of human rights and has alleged that official arbitrariness has led to the climate of insecurity prevailing in Guatemala.

In contrast to the general panic that attended the wave of kidnappings at the end of 1965, life has continued normally in the capital since the 4 May kidnappings. In spite of the increased security alert, additional attempts at violence and terrorism can be expected.

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